Tells the Facts and Names the Names

CounterPunch

MARCH 15, 1996 *Ken Silverstein & Alexander Cockburn* VOL. 3, NO. 6

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Is Hillary a Crook?

Some time later this year a situation unique in American history may arise: the criminal indictment of a president's wife, Hillary Rodham Clinton. Since 1994 a federal grand jury has been sitting in Little Rock, Arkansas, reviewing the Clintons' financial dealings from 1978 through 1992. The episodes submitted to their scrutiny by independent counsel Kenneth Starr include the Clintons' involvement in the Whitewater Development Corp.; HRC's legal representation of James McDougal's failing Madison Guaranty Savings & Loan; Madison's possible financing of Clinton's campaigns; HRC's role in illegal real estate transactions in the Castle Grande development; the Clintons' fraudulent financial statements submitted in loan applications in the 1980s; and, more generally, the political cronyism and favoritism exercised by the Clintons during their sojourn in the governors mansion in Little Rock.

Meanwhile, a separate federal grand jury in Washington, DC is listening to Starr's presentation of other episodes, including: Travelgate, the removal of Whitewater documents from Vince Fosters office; and the reappearance of HRC's billing records involving her work on the Castle Grande project while at the Rose law firm.

Pending the explosive impact of an actual indictment, the public view of Whitewater and related matters seems to derive from the consensus of the press (outside of committed foes of the Clinton administration such as the *Wall Street Journal* editorial page). On this view, Whitewater constitutes a cover-up without a crime. Hitched to this comfortable sentiment is the proposition that whatever the peccadilloes, they occurred in the alien subculture of Arkansas, before the Clintons stepped onto the stage of national history.

The most thorough survey of the Clintons' dealings undertaken by a journalist — James B. Stewart, in his *Bloodsport: The President and His Adversaries* — has elicited precisely this reaction. Discussing Stewart's 500-page book, Maureen Dowd concluded in her *New York Times* column that there was nothing new, no smoking gun.

With the details furnished by Stewart and the 1000-page Pillsbury, Madison, & Sutro report to the Resolution Trust Corporation, submitted on December 28, 1995, it is possible to lay out a simple narrative which is devastating to the Clintons. In an earlier issue of **CounterPunch** we discussed Whitewater in the context of Bill Clinton's relationship to the big timber companies. Let us concentrate now on HRC's performance, which — aside from the unflattering light it sheds on the First Couple — may have a very serious impact on her husband's chances for re-election.

Whitewater exposes a pervasive character trait of the Clintons: the exchange of money for political favors. It also exposes a trait that caused an uproar when William Safire drew attention to it last year: namely HRC's untrammeled propensity to tell lies.

Whitewater began with a frantic appeal from the Clintons to their friend McDougal for money, when Bill Clinton was running for governor in 1978. McDougal duly located the Whitewater property outside the town of Flippen in the Ozarks and got the investment off the ground. Payback for McDougal was not long postponed. When he was elected governor three months later, Clinton appointed McDougal chief financial advisor in the new administration. With even greater speed the Clintons and the McDougals reneged on commitments to make a

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The Poison Trade

Maneuvering for advantage in the upcoming campaign against Bob Dole, some officials in the Clinton Administration have been murmuring timidly about "corporate responsibility". The gap between rhetoric and reality here is cruelly illustrated by the Administration's posture towards toxic waste transfers from rich to poor countries.

For the past several years, the vast majority of the countries in the world have been organizing to pass an international ban on all toxic waste exports to the rest of the world from the 24 nations in the Organization for Economic Cooperation and Development. These rich nations generate 98 percent of the 400 million tons of toxic waste produced each year, most of that coming from European and American corporations that eagerly ship their hazardous by-products to Africa, Asia, Latin America and the Caribbean, thus saving money otherwise spent on treatment and recycling.

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Published twice monthly except August, 22 issues a year:
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$100 institutions,
$25 student/low-income
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Last September, in an historic agreement almost entirely ignored by the US press, representatives of 84 countries gathered at the Basel Convention in Geneva and took a bold step in this direction, ratifying an amendment which gives legal status in the United Nations to a ban on toxic shipments from rich to poor countries. How such a ban will conflict with free trade agreements like GATT remains to be seen. But there is no doubt about the position of the Clinton Administration, which stands virtually alone in the world in believing that corporations should have unfettered freedom to dump their poisons on the poorest countries in the world.

The US stands virtually alone in believing that corporations have the right to dump poisons on the poorest countries.

The US is the only OECD country that refuses to be party to the Basel Convention, an international body formed to monitor the disposal of hazardous waste. Even so, the Clinton Administration has sent representatives to Convention meetings in order to lobby against a ban.

Last year in Geneva was no exception. "The US spoke only to industry," Marcelo Furtado, a Greenpeace campaigner, says, "and noticeably annoyed representatives from the other countries, who wondered why a non-party to the Convention was saying so much." While Ritt Bjerregard, Environment Commissioner of the European Union, expressed strong support for the ban, Rafe Pomerance, US Deputy Assistant Secretary of State, explained that a ban on toxic trade "would discourage recycling".

The ludicrous "recycling" argument is routinely advanced by the scrap metal industry, which argues that Third World countries should be given an "opportunity" to import, process and repackage hazardous waste produced by First World corporations. Pomerance describes such freeloading as "environmentally friendly".

The reality is seen in places like the Bharat Zinc plant in Bhopal, India, the subject of a recent Greenpeace video, "Slow- Motion Bhopal: Toxic Waste Exports to India". There, Dutch and German car batteries, along with zinc ash sent by an American firm, Ruby Metals, are melted down and remolded into metal containers and other products sold to Indian consumers. In the process Bharat Zinc workers, some of them children, wade barefoot without masks or gloves through a toxic dump yard, inhaling lead at 100 times the level tolerated in the West. Tests of soil near the site disclose severe lead contamination and poisons leached into surrounding surface and ground water.

As the Nixon crowd used to say, Watch what we do, not what we say. In 1994, President Clinton issued a rousing statement of support for a ban on hazardous waste exports. Vice President Al Gore repeated this pledge at a dinner for the Global Legislators for a Balanced Environment, a group of parliamentarians from 42 countries which Gore himself helped found and which has long supported a ban.

But the threat of an actual ban provoked roars of protest from industry and the Administration duly shifted course. A May 1994 paper by the US Chamber of Commerce (which weighed in heavily against the ban at last year's Geneva conference) urged that "the US. government and affected industries visit with economic and trade ministries of affected non-OECD countries" to pressure them to support free trade in toxins. The State Department was soon lobbying the European Union, India, Malaysia, Indonesia and other countries. It also blackmailed the Basel Convention, swearing that the US would never become a party or pay dues should a ban be adopted.

For intellectual underpinning to this determination to dump poisons on poor people the US government can turn to the No. 2 man at the Treasury Department, the wunderkind Larry Summers. In a notorious memo he wrote in his previous incarnation as chief economist at the World Bank, Summers remarked casually that it was quite sensible to locate toxic operations in the Third World, because a lower life expectancy in those countries kills off the workers before cancers caused by the toxins have time to kick in. ■

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Bill Gates's Chain Gang

In promoting Windows '95, Microsoft mounted one of the most expensive advertising campaigns in American history. Microsoft understandably failed to mention that at least some of the company's new software was packed by prison labor. This news comes to us from Paul Wright and Dan Pens, two inmates from Washington state who edit *Prison Legal News*. It was Wright who last year alerted us to the use of prison labor by Rep. Jack Metcalf, a fierce crime buster whose 1994 campaign telemarketing operations were partly staffed by prisoners.

According to people incarcerated at the Twin Rivers Correctional Center in Monroe, Washington, Microsoft hired a packaging company, Exmark to ship Windows '95. Exmark used prisoners for at least part of the job and also had inmates package tens of thousands of units of Microsoft Office, another software program, as well as hundreds of thousands of Microsoft mice. Other companies making use of inmate labor in Washington state include telecommunications giant US West and Redwood Outdoors, Inc., which produces clothing for Eddie Bauer.

Washington is a pioneer in the use of prison labor, a true boom industry in the US. In 1993, the state legislature passed a bill to increase the number of prison laborers by 300 per year until the year 2000. The next year the state built a 56,000-square-feet factory near the Monroe prison.

Companies employing prisoners pay $4.90 an hour, the minimum wage in Washington, of which somewhere between $1.80 and $2.80 ends up in the prisoners' pocket. The rest is deducted for the "cost of corrections", a victims' compensation fund, and to pay state and federal taxes. The companies don't offer benefits to the inmate/workers — though Pens, who has written about the story in *Prison Legal News*, notes that Washington is one of many states that offers what he calls the "Three Strikes retirement plan" — and pay little or nothing for factory and office space. ■

Unwonted Stiffness in President's Spine

Given his usual hasty capitulation before the forces of darkness, President Clinton caused much surprise with his promise to veto the products liability bill that Congress passed earlier this month. We discussed in our last issue how the bill — secretly crafted and lobbied for by APCO Associates, a beltway public relations company that represents a host of Fortune 500 firms — seeks to prevent people from suing corporations marketing products that maim and kill (much of the material we revealed about APCO was turned into a front-page story in *The New York Times* on March 19).

The veto pledge should not be interpreted as a sign of populist inflammation on the part of the Man from Hope. The Association of Trial Lawyers of America is the foremost opponent of the products liability bill. It is also one of the biggest contributors to the Democratic Party.

In promoting "reform", APCO and its funders have loudly exclaimed about the role of trial lawyers in opposing the measure. Trial lawyers do indeed make a juicy target. Just a few weeks ago US District Judge John Nangle reduced from $33 million to $10 million the fees of the attorneys who sued on behalf of the victims of Pfizer's Bjork-Shiley Heart Valve.

None the less, the real enemy of the corporate campaign is the public. APCO would prefer that people forget about the heart valve itself, which was introduced by Pfizer in 1979 and taken off the market in 1986, but not before killing 750 people. Pfizer found the valve had problems not long after it went on the market but sought to keep its defects hidden. It even wrote to the Food and Drug Administration to urge the agency "not to notify the public". By the time the FDA ordered the company to halt sales, Pfizer had racked up $100 million in profits. ■

Turkey Moot

As it tortures prisoners and bombs Kurds, the Turkish state has never lacked for friends in Washington. To celebrate the harmonious ties between the two countries, the American-Turkish Council held a two-day conference in Washington earlier this month, where participants gathered to hear academics, think tank experts and government officials hold forth. The Turkey moot certainly wasn't worth the price of admission — $395 — but we have been studying the conference schedule.

- The "Chairman's Lecture", featuring Secretary of Defense William Perry, was sponsored by Sikorsky Aircraft; a seminar on "Current Defense and Technology Priorities" by Loral Vought Systems; and a foreign affairs panel which discussed "regional security issues" by Lockheed Martin.
- The "President's Reception", to which Commerce Secretary Ron Brown was the invited speaker, was paid for by the FMC corporation. It was FMC which in 1995 turned to Brown when several Commerce Department underlings raised pesky questions about the company's plans to drench the upper reaches of the Salmon River with cyanide, part of its operations at the Beartrack Mine. After some pleasant exchanges with company executives, Brown quickly and illegally gave the green light to FMC's program.
- The "Cultural Symposium" was sponsored by Fleishman-Hillard, which has made millions flacking for Ankara. The pro-Turkey materials the firm distribute are on file at the Justice Department and include, in addition to the pr firm's own bogus reports, several columns by *The New York Times*'s Thomas Friedman. So faithfully does Friedman recite the official line — Turkey is a mighty bulwark shoring up NATO's southern flank, etc. — that Fleishman-Hillard quite sensibly uses him as an unpaid propagandist in Ankara's cause. ■

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10 percent cash payment to a Flippen bank, against 90 percent financing of their Whitewater purchase, then got another below-market-rate loan from a Little Rock bank, again in exchange for a marker against political favors.

All these transactions breached Arkansas law, represented insider dealings beyond the reach of ordinary mortals and constituted one more straw on the caving spine of the Savings and Loan industry. Frank Burge, loan officer at the Citizens Bank and Trust Co. of Flippen, told Stewart that when he presented the McDougal/Clinton deal to his board he made the assumption — accepted by all present — that the plan was to have wealthy backers of Clinton buy the lots at highly inflated prices as a clandestine means of funneling money into the governor's pocket, thereby gaining influence.

As it turned out, a survey of the Whitewater property was delayed and then Governor Clinton lost the 1980 election. Interest rates soared, killing the housing market. The balloon payments on both sets of loans began to wipe them out.

HRC began her notorious trading in the commodities futures market at the same time as the Whitewater purchase, made her $100,000 courtesy of Tyson Foods executives and looked to Whitewater as a tax shelter for her ill-gotten gains. In their federal income tax returns for the years 1978, 1979, and 1980, the Clintons deducted not merely interest payments on their Whitewater mortgages but also principal — $20,000 was the illegal portion of the deduction — thus helping offset her gain on the commodities scam. This was the reason the Clintons refused to release their tax returns for 1978 and 1979 during the presidential campaign and beyond, until 1994.

The morning after Bill Clinton's defeat in 1980, McDougal told Stewart he got a desperate call from HRC, saying, "You need to send us money. We need it right now, and we need all you can send." McDougal remarked sourly to his wife Susan after the call that they had been subsidizing the Clinton's share of the investment for the previous two years. The pattern continued. As Whitewater's financial condition deteriorated, McDougal, fearing that a bankruptcy might tarnish Clinton's political image, offered to buy the Clintons out of the deal. On four separate occasions HRC adamantly refused, presumably because Whitewater was useful as a tax shelter, under her generous estimate of what constituted a legitimate deduction.

McDougal bought Madison Guaranty Savings and Loan in 1981. Four years later Governor Bill jogged into McDougal's office one morning and implored him to send some action HRC's way. She was under pressure at the Rose law firm for not bringing in enough business. McDougal duly put HRC on a $2,000 per month retainer as adviser to his S&L. By the mid-1980s Madison Guaranty was in poor shape and under pressure from federal regulators to tighten up and increase its cash reserves. McDougal had run out of banks to borrow money from and so HRC came up with the idea, unprecedented in Arkansas, of a preferred stock issue. Permission was duly obtained for this unusual financing from the relevant state regulator, Beverly Bassett, a friend of the governor's who had, before advancement as Arkansas Securities Commissioner, been a lawyer in Jim Guy Tucker's firm. There she had worked on matters involving Madison Guaranty, thus making everything as cozy as could be.

One of the Clintons' constant refrains from 1992 on has been that in her capacity as partner in the Rose law firm, HRC stood at arms length from any dealings with state agencies. In fact, HRC was doing something much more lucrative, namely representing corporations on matters pending before state regulators. Having worked as a lawyer on Madison Guaranty business, Bassett knew very well the S&L was on the rocks. It was only because HRC made the call to her that Bassett gave the official thumbs up for a preferred stock issue. Fortunately for any possible investors, Madison Guaranty was taken over by the feds and McDougal kicked out before the offering was made.

In 1994 HRC swore in a deposition to government investigators at the RTC that, (a) she never solicited any work from McDougal, (b) had no role in the prospective preferred stock matter and (c) did not attempt to influence Beverly Bassett. Though her testimony has not been published she presumably swore the same thing to the grand jurors and in her deposition to Starr. If the independent counsel persuades the grand jurors that perjury or obstruction of justice occurred, the preferred stock offering is one source of a possible indictment of HRC.

A similar indictment could stem from HRC's work on the Castle Grande deal. In 1985, McDougal gazed gratefully upon Castle Grande as salvation for his beleaguered bank. The Castle Grande property was a tract of several hundred acres, just south of Little Rock and scheduled for a mix of industrial development, a shopping center and mobile homes. There was a problem. Under state law the Madison subsidiary planning to handle the property could not be its sole owner. In the scam that apparently transpired, there were four principals: McDougal, Jim Guy Tucker, HRC and Seth Ward, an Arkansas good old boy and father-in-law to Webb Hubbell, in charge of the litigation shop at Rose law.

Ward was set up as a fake partner. Madison gave him an interest-free $1.15

How Jeff Gerth Saved the Clintons

One of the many salvations for the Clintons back in 1992 was that Jeff Gerth, who broke the first big story on Whitewater, can't write English. He can certainly find his way round financial documents but he has never mastered the art of explaining succinctly to the general reader what on earth he is talking about. His prose is thick with verbal litter: "documents obtained", " sources alleging", and the rest of the leaden equipage of the journalistic flatfoot.

In the case of Whitewater these deficits turned out to be a godsend for the Clintons. The Whitewater imbroglio was scarcely a secret in Arkansas. Jackson Stephens had confided that three factors would probably doom Clinton's run for the White House: cocaine, women and Madison Guaranty.

By the end of 1991, Gerth was picking at the Whitewater case. As the New York primary loomed, the Clintons grew increasingly apprehensive. On March 8, 1992, Gerth ran his first story. The Clinton crowd greeted it with enormous relief. James B. Stewart quotes New York lawyer Susan Thomases, who had tried to bamboozle Gerth, exulting that Gerth's story was incomprehensible. And so it was. Whitewater promptly died for the rest of the campaign. ■

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million loan, for which he had no liability. The loan was used to buy a share in the Castle Grande property, thus enabling the whole transaction. Ward was handsomely compensated for his role as ghost dancer, getting a 10 percent commission on all the sales from that property — in the end totaling $300,000. In addition, Madison magnanimously paid Ward $400,000 for a 22-acre parcel in the property, twice its market value.

Jim Guy Tucker — lieutenant governor in Clinton's last gubernatorial term and then governor — has recently been re-indicted (the first indictment having been thrown out by a Clinton-appointed judge). For their role in Castle Grande and other matters the McDougals are now on trial.

HRC has professed complete ignorance. "I don't believe I knew anything about any of these real estate parcels and projects," she proclaimed in her deposition to the RTC. The RTC and the independent counsel asked Rose for billing records to buttress HRC's assertions. Both the law firm and the White House claimed they could not be located. Two days after the statute of limitations expired on the Castle Grande dealings, the records were discovered on a table in an office used by HRC to store papers in their private White House rooms. The records show she billed Madison for 60 hours of work on the Castle Grande deal.

Not far from the Castle Grande property was a 500-acre parcel owned by International Paper, a timber company and the largest landowner in Arkansas. It had been high-graded (i.e., the most valuable timber taken out) and was scheduled for subdivisions for low-income folk and senior citizens. International Paper was offering the property to Whitewater — still co-owned by the McDougals and the Clintons — for the very attractive price of $1,000 per acre. Casting about for a loan to finance the purchase, McDougal lit upon David Hale, a player in Democratic circles in Little Rock, also a municipal court judge appointed by Clinton and, by fortunate concatenation of circumstances, the owner of Capital Management Services, licensed by the Small Business Administration to dispose of low-interest loans.

In a plea bargain accompanying the indictment and conviction for his role in this affair, Hale has claimed that Governor Clinton twisted his arm to set up a SBA loan to Whitewater, which came through within two days, thus remaking government well in advance of the Clinton-Gore administration. The $300,000 from the SBA to the Whitewater Development Corporation went in part as down payment for the parcel from International Paper, which accepted a note from Whitewater Development Corporation for the balance.

The sale went through in March 1986. By October 1987 Whitewater Development had defaulted on its payments. International Paper filed a foreclosure lawsuit, naming only the Whitewater Development Corp. and the McDougals. Conspicuously missing from the suit were the names of Bill and Hillary Clinton.

International Paper was doing the Clintons an enormous favor, with a cheap price for commercial property near Little Rock and subsequent omission of their names from the foreclosure suit. At exactly the same time Governor Clinton was signing what became known as the IP bailout. This was the Manufacturers Investment Sales and Use Tax Credit, which yielded the timber companies in Arkansas, including International Paper, $400 million in tax breaks.

By 1987 McDougal was a broken man, financially and psychologically. HRC sought and was gladly given power of attorney over the Whitewater Corporation. But from the events that followed, HRC was less competent than McDougal to handle such matters. Under her stewardship, Whitewater Development Corporation failed to file corporate income tax records for three consecutive years. These returns were eventually completed and filed by Vince Foster in the spring of 1993.

More serious were HRC's dealings with the banks holding the Whitewater mortgage. Despite repeated pleas from the McDougals and Citizens Bank in Flippen, the Clintons refused to submit personal financial statements. When finally forced to comply or face the calling in of the loan, Hillary prepared a fraudulent document for the bank that greatly over-

Third-rate Burglary?

One common reaction to Whitewater is that this is Dogpatch time, the small change of political-financial life in a provincial backwater. Madison's collapse cost the taxpayers $40 million. Next to a debacle like Lincoln Savings, which cost the taxpayers $3 billion, this is small change. But 90 percent of the S&Ls that failed in the 1980s were small thrifts like Madison and Madison's collapse was typical of the looting and self-dealing which ultimately cost $300 billion to fix.

The Clintons also exposed themselves relentlessly to blackmail. In 1979, with her husband in his first term, HRC was in the middle of trades on the commodities markets that could and should have triggered a margin call far greater than the Clinton's net worth. In July of 1979, her trading account was $117,500 short. A call would have wiped her and her husband out. It would also have destroyed both their careers. Ten years later, naming of the Clintons by International Paper on the foreclosure suit would have been profoundly embarrassing. In 1979, Clinton was doing great favors for Tyson Foods, whose vice-president, James Blair, was guiding HRC towards her $100,000. And in 1987 Clinton was handing International Paper a tax credit worth many millions. This was not chump change. ■

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estimated the value of the Whitewater investment and the Clintons' net worth. For example, HRC said the Clintons' stake in Whitewater was $200,000, when in fact the value of their investment was closer to $40,000. HRC submitted at least three false financial disclosure documents. This is a violation of federal law. Starr, the independent counsel, has used similar violations to get indictments against other Whitewater players.

In the mid-1980s, Citizens Bank in Flippen was bought by the large Twin Cities Bank of Little Rock. In 1986 the loan managers evaluated the Whitewater Development and concluded that the balance of the loan far exceeded the value of the property. They recommended that the loan not be renewed. This recommendation was over-ruled by the executive officers of the bank. At the time they were seeking a favorable ruling from the Clinton administration on changes to state banking practices. The ruling soon went in Twin Cities' favor. Moreover, one of the vice-presidents at Twin Cities was Margaret Davenport, a close friend of HRC. On HRC's recommendation, Bill Clinton appointed Davenport to the board of the Arkansas Development and Finance Authority where she steered several large bond issues to her bank. In return, HRC and the Rose law firm were rewarded with business from Twin Cities Bank.

HRC stands exposed to indictment from the grand juries, both for substantive crimes and for obstruction of justice. For these grand jurors sitting in Little Rock and Washington DC, comparisons with Watergate are presumably not the issue. What they are looking at is a series of unsavory financial transactions and deceptions about HRC's role. It has always been evident to anyone examining the evolution of the Arkansas Development and Finance Authority that there were many skeletons in Little Rock under the flimsiest of locks. Bill Clinton had a magical capacity to come up with political funding in a moment of crisis. Even today the press is forgiving. But now HRC's future and maybe Bill's are in partial fee to those — the grand jurors of Little Rock — who have known the couple for a long time. ■

Who Killed Vince Foster?

Vince Foster most likely killed himself, but HRC certainly helped drive him to it. As deputy White House counsel he had the Whitewater case dumped in his lap, plus all the other indiscretions of HRC and the Rose law firm. When Clinton was about to nominate Webb Hubbell as deputy attorney general, Foster objected strenuously on the grounds that confirmation hearings would expose HRC. He had to prepare the corporate tax returns for Whitewater Development Corporation in the three years when HRC had power of attorney. He handled the ultimate disposition of Whitewater to McDougal in 1993. He had to obey HRC and fire the civil servants in the travel office because the First Lady thought, wrongly and very foolishly, that it would create an impression of White House eagerness to root out inefficiency and waste. Her prime motive here seems to have been her profound hatred of the press. HRC had already tried to get Foster to demand a new Secret Service detail, on the grounds they were indiscreet and she thought that with her own people in the travel office she would be able to twist the arm of the press corps.

Foster had all relevant business records in his office, including the work sheets HRC had compiled for her Castle Grande operations. He knew about Hubbell's overbilling practices at Rose law — which ultimately sent him to prison — and was aware that the FBI was on to it. It seems the strain simply got too great.

Stewart is agnostic on whether Foster and HRC were having an affair. HRC did rent a private apartment in Georgetown after her arrival in Babylon. Meanwhile, Foster prevented his wife from moving to Washington until June, 1993, saying their children had to finish the school year in Little Rock. But by that time his wife Lisa was eager to join the big-time. She arrived and shortly thereafter he took his final drive to Fort Marcy. (Final that is, unless you accept the theory — which seems implausible — that he was murdered by the Mossad in HRC's private apartment because he was about to expose Israel's role in the shenanigans at the Mena airport in western Arkansas.) ■

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